

**MINUTES OF
CITY OF LAS VEGAS AUDIT OVERSIGHT COMMITTEE
City Hall - 8th Floor Conference Room
400 Stewart Avenue
Las Vegas, Nevada
City of Las Vegas Internet Address: <http://www.ci.las-vegas.nv.us>**

**June 19, 2001
10:00 a.m.**

I. CALL TO ORDER: Chairman Kern called the meeting to order at 10:06 a.m. and confirmed with City Clerk Ronemus that the Open Meeting Law had been met.

II. ATTENDANCE:

Present: Chairman Michael Kern
Mayor Oscar Goodman
Councilman Michael McDonald
Member Joseph Saitta
Councilman Michael Mack
Virginia Valentine, City Manager
Steve Houchens, Deputy City Manager
Brad Jerbic, City Attorney
Radford Snelding, City Auditor
Bonnie Mocek, Management Analyst
Philip Cheng, Senior Internal Auditor
Bryan Smith, Internal Auditor
Mark Vincent, Director of Finance and Business Services
Judge Toy Gregory, Las Vegas Municipal Court
Keith Gronquist, Administrator of the Las Vegas Municipal Court
Claudette Enus, Director of Human Resources
Vicki Robinson, Human Resources
Barbara Jo (Roni) Ronemus, City Clerk
Assistant Deputy City Clerk Vicky Darling

Excused: Member Bill Martin

III. BUSINESS

A. Approval of the Final Minutes by reference of the Audit Oversight Committee Meeting of April 24, 2001

GOODMAN - Motion to approve – McDONALD seconded the motion - UNANIMOUS with MARTIN excused

(10:06)
1-14

B. Status on Questions/Requests/Commitments

Mr. Snelding advised that items considered under this heading are those items relating to questions or requests from previous meetings or commitments made during previous meetings. Each item is assigned a number and is tracked until complete. Items not completed will generally be included under Old Business.

1. 0001-003 – Report on Revised Audit Plan

The Revised Audit Plan was provided to all Committee members on May 21, 2001 and was based on a staff of four auditors, increasing accountable entities to 174 and a corresponding reduction in estimated audit hours per job to approximately 232 hours, a continuation of risk analysis with inclusion of a cyclical approach of auditing high risk entities on a five-year cycle, medium risk entities on a ten-year cycle and low risk entities on a fifteen-year cycle. This would reflect a completed audit cycle on a fifteen-year basis. This modification is contrary to the five-year audit cycle recommended due to existing staffing levels. Additional efficiencies and economies will be sought. It is anticipated that a completed annual audit plan will be presented at the September 18, 2001 quarterly Committee meeting for the next year.

Mayor Goodman confirmed that certain areas as graded high risk by staff will be audited multiple times during the total fifteen-year audit cycle. Chairman Kerns questioned the impact and process for special request audits of critical need areas. City Auditor Snelding explained that a special request audit which involves a department or division to be audited in the future, that future audit is credited with the special request. It is also his process to review special requests which will exceed 40 hours of work with the Chair, who determines whether or not to consult the rest of the Committee, wait for the next quarterly meeting to address the matter or call a special Committee meeting regarding the request. Certainly staff jumps on special requests from the Council or City Manager's office, it is simply coordinated through the Chair. Such special requests may delay other audits, pushing them further along the timeline to later within the year or even the following year.

Councilman McDonald expressed a concern with staying within the budget but still providing the necessary tools for the City Auditor to do his job. At the time staffing for the Auditor was examined, the City was facing major financial issues from many other entities within the State. However, it is essential that the Council be able to respond to the public in order to meet the needs of the community and staff be able to meet the needs of the Council in turn. City Manager Valentine added that special requests involve issues of timeliness as well. For example, the air quality audit becomes less critical following the conclusion of the legislative session.

Mayor Goodman discussed with City Manager Valentine, City Attorney Jerbic and City Auditor Snelding that the Auditor reports to the Committee. The purpose was to create a buffer and remove the heat from the Council. Mayor Goodman directed that a separate agenda item be on the next agenda to discuss any advantage of the screening process through the Committee versus through the Mayor/Council or City Manager's office. Chairman Kerns outlined his frequent communication with City Auditor Snelding as well as the quick response from staff to requests. His concern at the time of the special request regarding air emissions was whether or not the City would get paid for performing the audit. Based on existing financial conditions, the question was if the City was not going to be paid for the audit whether or not the City was giving away services. Councilman McDonald explained that the purpose of this Committee is to insure independence of the Auditor by including citizens on the Committee with backgrounds in finance.

City Manager Valentine outlined her concern with communication between her office, the City Council and the City Auditor. Seeking direction from the Council can be deemed consensus building which is a violation of the Open Meeting Law. It can take as much as four weeks to place an item on an agenda, especially since some items are very time sensitive. While other options are available for limited investigations, the preference would be to work with the Auditor. Chairman Kerns encouraged the City Manager to communicate directly with the City

Auditor. The breach would be to have the Auditor answerable to the City Manager's office. That breaks down the accountability function of that office. The accountability belongs with or to the powers-that-be to avoid manipulated reports which are not in the best interests of the City. He does not believe that there is a lack of responsiveness which would justify the criticism.

2. 0001-006 – Additional Recommendations to Municipal Court – Report CAO 2300-001-03

Representatives of the City Auditor's Office have met with the Acting Court Administrator and his staff to address the request that interim controls be identified to mitigate the weaknesses noted in the Special Report – Municipal Court Mail Unit. A report by the Municipal Court has been delivered to the Committee members for their information. Judge Toy Gregory and Keith Gronquist, Acting Court Administrator for the Las Vegas Municipal Court, appeared to respond to the report.

Mr. Gronquist described the best solution to the problem identified as being an automated system with a mail component. There have been meetings with Information Technologies in order to explore the specifications for such a system and define the programming costs involved.

Chairman Kerns complimented Judge Gregory on a very good start. The internal controls are obviously being shored up and cash flow will be secured in the future, to the benefit of the Court and the City.

3. 0001-007 – Send Las Vegas Area Computer Traffic System Report CAO 1502-0001-05 to a) State Comptroller Office (Kathy Augustine – State Comptroller) and b) Nevada Legislative Auditor (Stephen Wood, Chief Deputy Legislative Auditor)

In compliance with the Committee's request the City Auditor's Office contacted the Deputy State Auditor Stephen Wood and the State Comptroller Kathleen Augustine. Both officials were contacted via phone and e-mail and a complete copy of the report and response was sent. No contact has been received for those state officials as of today. This item is now complete.

4. 0001-008 – LVACTS Charge Back

In compliance with the Committee's request regarding 1) the recovery of indirect costs related to services supplied by the City of Las Vegas as the central operator and 2) the refund of unreserved fund balance related to the operating agreement; representatives of the City were contacted. Mark Vincent, Director of Finance & Business Services, clarified that the City imposed a general government allocation procedure with respect only to enterprise fund operations. LVACTS is currently treated as an internal services fund, although there are discussions regarding a possible change. Although the City is not a contractor, it tries to comply with the standards of cost accounting imposed on governmental contractors. Focus has been placed on being consistent in application of the government allocation. The City currently does not allocate the money to anything other than an enterprise fund. The City Council could give direction to do otherwise, but then time would have to be provided for the other entities to respond as to whether or not they could fund such allocation.

With regard to the fund balance, it is not excessive and should not be refunded. It represents less than two months' operating expenditures. Chairman Kerns confirmed that the fund is designated as an "earmarked" fund utilized solely for the operation of that system and no other purpose or fund. The fund balance is monitored as well.

5. 0001-010 – Timelines will be stated in CAO Reports starting July 1, 2001

The City Auditor's Office has begun to encourage auditees to address this concern in responses. Should a response not address a recommendation or part of a recommendation or not supply a specific timeline, the City Auditor's Office points this out to the auditee and requests the issue be more fully addressed. This will be communicated when the management responses are incorporated in the report. We will continue to monitor this as a matter of procedure and notify the committee should instances arise where the auditee is unresponsive. This item is complete.

(10:07 – 10:31)

1- 24

C. General Report by the City Auditor

City Auditor Snelding reviewed the status of pending audits as follows:

Audits of Waste Water Treatment Facility by C. Dixon and B. Smith, Treasury – Investments by B. Cimo and Vehicle Services by B. Smith are complete and will be released prior to the fiscal year end. Fieldwork for the Animal Foundation Investigation by R. Snelding, B. Smith and B. Cimo is in progress. The fieldwork for the audit of Leisure Services – Cultural Affairs by P. Cheng is complete and the draft report is in review. City Auditor Snelding is currently working on the preliminary fieldwork for the audit of City Council. Annual Follow-up involving the entire Audit staff is in the process and expected to be complete by the September Committee Meeting. Planning for the CCHD - Emissions Credit is in the process. Fieldwork for the Cinco de Mayo Celebration is in the process. The Capital Projects audit by B. Smith is on Hold awaiting completion of a Consultant's Study. The Animal Foundation, CCHD – Emissions Credit and Cinco de Mayo Celebration audits were all a result of special requests.

Mayor Goodman and City Auditor Snelding reviewed the annual follow-up process which will include reporting back to the Committee as to recommendations from the audit in question as well as recommendations from previous audits. The follow-up will operate as a historical score card on implementation. Previously the approach was that implementation was reviewed during a subsequent audit. Mayor Goodman complimented City Auditor Snelding on a healthy change which philosophically reflects the intent and desires of the Council. City Auditor Snelding pointed out that the City Manager's office has followed up on audits and advised his office as to the implementation of recommendations.

Chairman Kerns questioned whether the City was going to be reimbursed for the CCHD – Emissions Credit audit. City Manager Valentine responded that some issues supercede the need for reimbursement. There was previously a pressing need for this particular audit in order to respond to a legislator during the legislative session. That situation no longer exists. She was under the impression that the audit was being placed on hold, but certainly the City's objective should be to have participation of other entities. Potentially the audit could impact whether a single regional air quality agent is created and the influence of the local cities over such an agency. There was a strong control element under the regulatory efforts and policy making authority. That authority may still be left with the Health District, transferred to the County or given to a regional committee to be created. The legislation funding such an agency died and the separate legislation creating the agency was vetoed by the Governor. Once the scope of the audit is clearly identified in a meeting with Christina Robinson and the cost calculated, then the City can approach the other entities regarding participation. City

Auditor Snelding suggested that the meeting go forward and then the audit could be dropped after the information is gathered and before expending any other resources.

Chairman Kerns questioned when he should contact the City Manager or City Attorney on policy issues regarding audit matters. City Attorney Jerbic replied that an agenda item should be placed on a future agenda to create a policy. In the meantime, anything affecting City funds and resources should go through the City Manager's office, unless there is a confidentiality issue. Chairman Kerns recommended that a representative from the City Manager's office should attend the meeting with Christina Robinson.

Chairman Kerns added a direction to include an agenda item regarding an element of allocation from other departments to cover the critical function of the City Auditor. Also, the use of outside consultants should be examined. Consultants sometimes produce boilerplate reports where the same funds can be better utilized for the internal audit function. He has discussed with City Auditor Snelding at least one specific report where the City did not receive value for its dollar. Such an agenda item is necessary to discuss accountability by the audit function and the necessary resources for that to happen. Mayor Goodman and Councilman McDonald concurred.

City Councilman McDonald questioned whether City Manager Valentine has received any type of direction from the Council regarding the air quality situation. City Manager Valentine explained that her office has recommended that the authority stay with a regional agency, regardless of the structure of that regional entity, and no shift take place that places the control into the hands of the County. However, there is a point where audits may become irrelevant. In this instance, some time constraint remains.

(10:31 – 10:50)

1-827

D. Audits and Projects Completed

1. Discussion and possible action on the following reports:
 - a. Audit of Safety/Loss Control

City Auditor Snelding stated that only the Audit of Safety/Loss Control report was released since the last Audit Committee Meeting. That report was included on the annual audit plan and was generally adequate. However, areas were identified that management should review to further improve efficiency and effectiveness of the safety program. Significant issues included that a higher injury rate than other local governments in Nevada, goals should be set to lower the City vehicle accident rate, the City should require bi-annual actuarial studies for all of its self-insurance funds to ensure adequate fund balance reserves to meet anticipated obligations, greater management involvement in promoting workplace safety and communicate safety issues with all employees and the City should establish a policy to ensure all injuries and accidents are thoroughly investigated to identify root causes and eliminate unsafe conditions. Management's response is included in the back of the report.

Upon request, the Audit function will specifically review the workplace injury. During fieldwork the following was noted:

The City of Las Vegas paid an average of \$2.36 million for 300 workers' compensation claims annually over the past three years with an average of \$7,866 per claim. The U.S. Bureau of Labor Statistics annual survey and published statistical analysis summarizing injury rates by Standard Industrial Classification (SIC) code reflects an average injury rate for local government in Nevada at 8.9 injuries per 100 full-time employees. In 1999, the City had 13.26

injuries per 100 full-time employees, while Clark County and Nevada Power Company reported injury rates for 1999 at 11.16 and 4.2, respectively.

Human Resources took exception to the comparison with Nevada Power Company since it is not a like entity and is therefore inaccurate. Based on the information portrayed in the response, the City of Las Vegas compared more favorably with other governmental entities cited. Human Resources also cited that the \$765,000 of annual savings was too high based on payments under statutory requirements and lost-time accidents. City Auditor Snelding clarified that the local government injury rate was used primarily for benchmarking and the Nevada Power comparison for illustrative purposes to demonstrate possibilities in private industry by a public utility. Based on the information cited in the response, the estimate appears too optimistic. However, significant savings are possible with an improved injury rate.

He noted that the City has not set specific goals or developed a plan of action to reduce injury rates. City Audit recommended that the City Manager's Office establish goals and instruct each department to develop action plans to reduce the City's injury rates. The Safety/Loss Control Officer should prepare an annual benchmarking study to compare the City's injury rates with other entities. Consideration should be given to the creation of a website for City employees and the public to report unsafe working conditions in the City.

The response includes that the Insurance Services Division will work with each department to develop an action plan to eliminate or reduce all lost-time accidents through the use of alternative duty and positive departmental monitoring. This goal projection is set for June 30, 2001. To date, it has been difficult to compare "apples to apples". The Insurance Services Department has recently learned that the Public Risk Data Project (PRDP) is being expanded to include workers' compensation. Entities involved in the project will provide organizational data to the project so that like entities can be compared. The PRDP representative indicated they anticipate start-up by mid-October. City participation will require updating of the computer system which cannot begin until PRDP is ready, but the goal is to become part of the PRDP workers' compensation data study by year-end 2001. The Information Technology Department has been contacted to assist in setting up a safety Internet website, which will be scheduled in accordance with departmental priorities.

It was noted during fieldwork that approximately 17% (155 of 908) of the City's vehicles were involved in an accident in 1999. Clark County reported only 4.2% (103 of 2,438) of its vehicles were involved in accidents during the same year. Human Resources took exception to comparison with Clark County vehicle accident statistics as invalid, inasmuch as Clark County statistics only reflect accidents resulting in tort action. Staff concurs that based on the information supplied in the response, the comparison may not be accurate. Vehicle Services Division has implemented a policy requiring user departments to absorb vehicle damage costs in cases of preventable accidents. Employees operating a city vehicle are required to annually attend defensive driving classes. However, some employees were allowed to operate city vehicles without attending the initial driving training class or the annual refresher. It was observed that out of 56 city vehicles, 66% (37) of the drivers were not wearing seat belts while driving.

Audit recommendations include that the City establish long-term and short-term goals to reduce vehicle accidents. Operational management should be held accountable for developing and implementing an effective action plan to reduce vehicle accidents. Management should strictly enforce the policy requiring employees to attend defensive driving class before operating a city vehicle. All city vehicles should have signs on the dash

reminding drivers of the City's policy of defensive driving and seat belt safety. The defensive driving course should be evaluated to determine its effectiveness.

Management concurred with the first three recommendations. Insurance Services will assist individual divisions in establishing and implementing effective action plans to reduce vehicle accidents. Meetings will be scheduled with each division currently using fleet vehicles to review their vehicle accident record. This goal will be accomplished by June 30, 2001.

The fourth recommendation has been forwarded to Fleet Services so that any vehicle without a seatbelt reminder sticker may be immediately equipped with one. The current defensive driving class provided by Personnel and Organizational Services Division is based on the National Safety Council Defensive Driving classes. Insurance Services has previewed classes from other vendors and not found a cost-effective alternative that provides substantially different material than that provided in the current class. Staff will continue to look for effective alternatives. There have been discussions with Clark County regarding use of driving simulators owned by the County. Thus far no site suitable for employee training has been located in which to place the simulators. County Risk Management Department has offered to enter into a partnership wherein the City provides the site and the County provides the simulators. It is hoped a suitable site can be established by June 2002.

It was further noted that if a City employee is injured on the job, the employee and the employee's supervisor are required to complete various prescribed workers' compensation forms to file a claim. In an attempt to reduce employee injury rates, Detention and Enforcement recently implemented a new procedure which also requires supervisory staff to conduct an in-depth investigation to determine whether an accident or injury was preventable. The investigation report also includes recommendations for corrective actions and disciplinary actions, if necessary. Review of a sample of accidents occurring in 2000 indicated that there was a lack of formal investigation documentation, with the exception of Detention and Enforcement. Many supervisors did not provide sufficient details in the *Employer's Report of Industrial Injury (Form C3)* to show that a proper investigation had been conducted.

A corrective recommendation is that the City should create and use an incident investigation form for employee injuries. All reported accidents should be investigated to identify root causes and corrective actions should be taken. Each incident should be classified as preventable or non-preventable. A written investigation must be submitted to Insurance Services along with a properly completed Form C3 within one week after the accident. The response to this recommendation was that safety policy requires that all supervisors perform an accident investigation. Insurance Services will provide accident investigation forms to all departments and request they begin using them immediately.

Every reported accident is discussed at monthly Safety Oversight Committee meetings and a cause established therefor. If a determination is made that a policy was not followed or there was a lack of usage of a personal protective device, a memo goes to the department asking for clarification or indicating violation of policy. Unsafe conditions are addressed immediately by the Safety/Loss Control Officer with the appropriate department.

Vehicle accidents are currently evaluated by the Vehicle Safety Subcommittee of the Safety Oversight Committee and classified as preventable or non-preventable. By definition, all Workers' Compensation claims were generally preventable, either by the employee or the City. Therefore, rather than designating a workers' compensation claim preventable or non-preventable, a determination should be made on the root cause and necessary corrective action (discipline, re-training, repair, remodeling, etc.). Such action must be positive in nature,

designed to prevent future occurrences, rather than punitive. This would still allow for enforcement of disciplinary measures with employees who violate existing safety policies and procedures. Insurance Services spends several hours each month attempting to obtain documentation from the various departments and asks that management hold department and division heads accountable for such submissions.

Councilman McDonald pointed out that the negative spin in the press regarding vehicle accidents was a penalty for being honest and stressing open government with a maximum amount of reporting. Other entities are not so open. Mayor Goodman congratulated the City for leading the way in open, responsible and accessible government. Councilman McDonald encouraged staff to continue doing what it is doing and not pad accident reports.

Chairman Kerns commented on the strong recommendation which was well presented regarding accountability of Departments for reporting. It is also important to distinguish the costs caused from the outside versus a City employee. That is difficult to quantify and address but important to take note.

Claudette Enus, Director of Human Resources, and Victoria Robinson, Manager of Insurance Services Division, concurred with the comments made by Mayor Goodman and Councilman McDonald. The concerns raised in the audit by the Department was that like factors be evaluated in comparison to like situations. For example, out of the 17% of City vehicles involved in accidents were the fault of the general public 7.4% of the time and only 4.7% were the fault of City employees. The Department is certainly aware there are things needed to improve the City's safety program. The recommendations will be followed through along with additional ideas from within the Department to strengthen the City's program.

Ms. Enus outlined her one significant area of concern was the timing of the release of the information. The report had been reviewed and the final report received just before lunch, but the final report was released to the press before she could review it. She would recommend that a more appropriate approach would be that final reports be provided internally in order to prepare for the press response. Councilman McDonald noted that he read about the outcome of the audit in the Review Journal. Chairman Kern questioned whether an opportunity could be created for internal review of the final report prior to release to the public. City Auditor Snelding reviewed the process, which includes a one week review period prior to release of the report. Unfortunately that timing was not communicated well. In the future, he will hold a meeting with the Mayor and the City Manager's office to review the report prior to its release. Liaisons will also be provided with the final draft of the report and a briefing can be held on any audit the Council member may deem necessary. In this instance, the press were waiting for the report and picked it up as soon as it became final. Deputy City Manager Houchens explained that the process was in place and followed, it was just a short fuse on the day it was actually released.

Chairman Kerns asked about vehicles which operate 24-hours and if any accident occurred beyond the scope of business operations. City Manager Valentine responded that very few vehicles are assigned out for 24-hours. Ms. Enus added that anyone violating City vehicle policy are sanctioned.

Chairman Kerns discussed with Ms. Robinson that jobs are prearranged as light or modified duty to be filled by employees who are injured. Since the City is paying these employees anyway, it is beneficial to obtain even reduced services in return. This is done routinely on a temporary basis. The intent is to assist the employee to get back to their usual job.

Chairman Kerns pointed out that the key is looking for uniformity and accountability in follow up. City Manager Valentine replied that the Audit Division has responsibility for designing general guidelines and then the City Manager's office will enforce them by building compliance into the performance standards for Department Directors. Chairman Kerns felt that given the size of the fleet and its exposure to the general public did make Nevada Power a reasonable comparison. The responses to the recommendations have been well laid out. He confirmed that the information will be passed along to all Directors.

GOODMAN - Motion to accept the Report – McDONALD seconded the motion – UNANIMOUS with MARTIN excused

(10:50 - 11:19)

1-1467

E. New Business

1. No items of new business are scheduled for discussion at this time

No action taken.

(11:19)

1-2731

F. Old Business

1. 0001-005 – Report on Revised Audit Plan (In process)
2. 0001-009 – Annual Follow-up Report (In process)

City Auditor Snelding informed the Committee that he had been in contact with the City Manager's office and City Attorney regarding the Revised Audit Plan. It is anticipated that a revised plan will be presented at the September 18, 2001 Committee meeting with appropriate changes. Likewise he hopes to provide the follow up report touched on during this meeting in final form at the September 18, 2001 Committee meeting.

(11:19 – 11:21)

1-2740

IV. CITIZENS PARTICIPATION:

None.

(11:21)
1-2805

ADJOURNMENT:

Chairman Kern adjourned the meeting at 11:21 a.m. (1-2805)

RESPECTFULLY SUBMITTED,

Vicky Darling, Assistant Deputy City Clerk